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A RURAL CREDIT PROGRAM

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rural rental housing

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Farmers Home Administration
U. S. Department of Agriculture
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RURAL RENTAL HOUSING

The Farmers Home Administration makes loans in rural areas to provide rental housing for persons with low or moderate incomes and for persons age 62 or older. Rural areas include open country and communities with populations of not more than 10,000 which are rural in character and not closely associated with urban areas.

All phases of this program are available to persons of any race, creed, color, or national origin.

How may loan funds be used?

Loans are made primarily to build apartment-style housing, usually consisting of duplexes, garden-type, or similar multi-unit dwellings. The housing must be modest in size, design, and cost, but adequate to meet the tenant's needs.

Funds may also be used to:

- *buy and improve the land on which the buildings are to be located;*
- *provide streets and water and waste disposal systems;*
- *supply appropriate recreation and service facilities;*
- *install laundry facilities and equipment;*
- *landscape, including lawn seeding, shrubbery and tree planting, or other measures to make the housing an attractive addition to the community.*

Funds may not be used for nursing, special care or other institutional types of housing.

Who may borrow?

Eligibility of applicants will be determined by Farmers Home Administration. Borrowers should have the ability and experience to operate and manage a rental housing project successfully.

Rental housing loans can be made to individuals, trusts, associations, partnerships, and profit and nonprofit corporations. Nonprofit corporations may be organized on a regional or multi-county basis.

Borrowers must agree to provide rental units for occupancy by eligible individuals or families. They must be unable to finance the housing with personal resources and unable to obtain credit from other sources on conditions and terms which would permit them to rent units to eligible families. If the borrower is a profit or limited-profit organization, the assets of the individual members will be considered in determining whether other credit is available.

FHA will deal only with the applicant or his authorized representative. In the case of a non-profit applicant, the representative must have no pecuniary interest in the housing site, the award of contracts, or purchase of equipment.

Does FHA limit the borrower's profit?

In all cases, rent charges must be within limits that eligible occupants can afford to pay. Borrowers are required to deposit rental income in special accounts and establish reserve funds to meet long-term capital replacement needs. Limited-profit borrowers are allowed a 6 percent return on their initial investment in a project.

Who may occupy the housing?

The housing is for families and individuals with low and moderate incomes, and for senior citizens age 62 or over. The maximum income level for occupancy will be established by the Farmers Home Administration.

What are the terms?

The maximum repayment period is 50 years. All applicants will be limited to \$750,000 per project; however, they may obtain loans to build more than one project if the need for the housing is clearly shown. All applicants are required to provide initial operating capital equal to at least two percent of the cost of the project.

Loans to nonprofit organizations can be up to 100 percent of the appraisal value or development cost, whichever is less. Loans to all other applicants are limited to not more than 95 percent of the appraisal value or development cost, whichever is less.

Is the borrower expected to refinance the loan?

When the financial position of the borrower reaches the point that he can repay or refinance through a commercial lender, the loan contract provides that he shall do so.

How will planning and construction be performed?

Before a loan can be approved, applicants must provide detailed plans, specifications, and cost estimates. The applicant must provide complete architectural services which will include inspections during construction. The Farmers Home Administration will review the plans and inspect the construction as it progresses.

A borrower who is a builder and capable of building his own project may obtain a loan under the same conditions as any other applicant. The builder-applicant may be permitted a contractor's fee which is typical for the area.

All borrowers are encouraged to obtain interim construction funds from local lenders. A borrower must show that local construction funds are not available before Farmers Home will provide such funds.

What are the construction standards?

All project development work such as buildings, streets, water, waste disposal, heating, and electrical systems must fully conform with applicable laws, ordinances, codes, regulations, and Farmers Home Administration requirements.

When can construction be started?

The borrower must wait until the loan is closed and authorization given by Farmers Home Administration to start construction. If interim construction financing is to be used, construction will start only after the loan is approved and funds obligated.

Where may housing be located?

The housing will be located on desirable sites in a residential area that is easily accessible to community services and amenities, with an assured supply of safe drinking water and suitable arrangements for waste disposal approved by FHA. Housing will be arranged on the site in an attractive manner to accent and preserve the advantages of natural topography, trees, and shrubbery.

What information is needed?

The local county supervisor of the Farmers Home Administration will provide information on how to complete and file applications. Applicants must furnish:

- complete financial information.
- preliminary plans, specifications, and cost estimates.
- a budget of anticipated income and expenses.
- survey information supporting the need for housing in the area.

Applicants may secure sample FHA forms for completing budgets and market surveys.

What about loan applicant fees and other charges?

Fees are not charged for appraisals or loan processing. However, the applicant pays for legal services necessary to guarantee that he has a satisfactory title to the site and for other incidental loan closing costs. These expenses may be included in the loan.

What security is required?

Each loan will be adequately secured to protect the Government's interest. Ordinarily, a first mortgage will be taken on the housing, including the site. A tie-in (or second) mortgage will be required as security in the case of a subsequent loan to improve or extend a project at the same location.

How do these loans aid in rural development?

Rental housing loans are made through the Farmers Home Administration to help provide decent homes in suitable living environments. Good rental units give a balanced housing program to a rural community and make it a more desirable place to live. An adequate supply of quality housing helps check the flow of rural people to urban areas by encouraging families to live in rural communities.

The program raises living standards, creates a healthy environment for family life, and makes rural communities attractive locations for development and expansion of industries.

Rental housing loans stimulate economic activity in rural communities by increasing sales of building materials and home furnishings and by providing jobs for construction workers.

Where can you apply?

Application should be made at the Farmers Home Administration county office serving the area in which the housing will be located.

Those unable to locate the local office should write to the Farmers Home Administration, U.S. Department of Agriculture, Washington, D. C. 20250.

Is other financial aid available for housing?

The Farmers Home Administration also offers:

1. Home ownership loans to help families with low and moderate incomes finance homes, building sites, and essential farm service buildings.

2. Building site loans to public and nonprofit organizations to buy, develop, and sell home sites on a nonprofit basis to applicants eligible for home ownership loan assistance or for nonprofit rural rental housing projects.

3. Self-help housing loans to groups of low-income rural families who work together on the construction of their homes to reduce the cash cost. Public and private nonprofit organizations may obtain grants to provide technical assistance to such groups.

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